

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
October 25-26, 2022
Zoom for Government

<i>Tuesday, October 25, 2022</i>	1
Attendance	1
Administrative Matters	1
• Approval of Minutes.....	1
• Clippings and Updates.....	2
Agenda Topics	4
• Management's Discussion and Analysis	4
• Software Technology: Cloud-Service Arrangements	7
Adjournment	13
<i>Wednesday, October 26, 2022</i>	13
Agenda Topics	13
• Public-Private Partnerships	13
• Annual Report Review	16
• Steering Committee Meeting.....	17
Adjournment	17

For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by topic; references to these topics in the minutes are hyperlinked.

Tuesday, October 25, 2022

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Ms. Bronner, Mr. Dacey, Mses. Harper and Johnson, and Messrs. McNamee, Patton, and Vicks. The executive director, Ms. Valentine, and general counsel, Mr. Kirwan, were present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

Administrative Matters

- **Approval of Minutes**

The Board approved the August meeting minutes prior to the meeting.

- **Clippings and Updates**

Mr. Scott asked the members if there were any comments on the clippings. One member commented on the article related to the idea of developing a national balance sheet.

Mr. Scott Showalter, deputy chair for the International Public Sector Accounting Standards Board (IPSASB), provided an overview of IPSASB's current activities and its recent Public Sector Standard Setters Forum (PSSSF) in September. Mr. Showalter noted that IPSASB has eighteen members and develops international accrual-based accounting standards for governments and other public-sector entities around the world. He also noted that the recent IPSASB-PSSSF hosted 120 participants representing 38 countries and focused on the theme of sustainability and environmental, social, and governance.

Mr. Showalter highlighted the following IPSASB projects:

- Leases – IPSASB is aligning with International Financial Reporting Standard 16, *Leases*, and addressing those issues unique to public sector entities.
- Revenue recognition and transfer expenses – IPSASB is deliberating two final standards.
- Measurement – IPSASB is refining the definition of “current operational value.”
- Conceptual framework – IPSASB is considering feedback on proposed framework updates.
- Property, plant, and equipment (PP&E) – IPSASB is proposing to clarify the recognition and measurement of infrastructure and heritage assets that meet the definition of PP&E.
- Natural resources – IPSASB is considering proposal feedback on the recognition, measurement, presentation, and disclosure issues relating to subsoil resources, water, and living resources.

One member asked Mr. Showalter if IPSASB is considering a project on cryptocurrency. He stated that the topic of cryptocurrency is on the Board's radar but not currently a project.

Ms. Valentine asked Mr. Showalter if he could elaborate on the newly added IPSASB project on differential reporting. He stated that differential reporting considers the financial reporting needs and requirements of different categories of entities. IPSASB's preliminary view is to categorize reporting requirements based on the complexity of the entity's transactions and not the size of the entity.

Mr. Perry, senior analyst, asked Mr. Showalter if IPSASB was in the practice of developing post implementation guidance. Mr. Showalter stated that IPSASB includes non-authoritative implementation guidance with its standards. One member asked him if including the implementation guidance in the standards lessened the need for future amendments and/or additional guidance. Mr. Showalter responded that including non-authoritative implementation guidance with the standards does not lessen the need for future amendments and/or additional guidance. He further stated that all standard setters face the possible need for future amendments and/or additional guidance, given that there will always be unknowns and those entities that do not consider the implications of the requirements prior to the issuance of a final Statement.

Mr. Scott thanked Mr. Showalter for briefing the Board on IPSASB's activities and welcomed him back to brief the Board again in the future.

Ms. Roberta Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of GASB's recent activities.

Ms. Reese highlighted the following GASB projects:

- Certain risk disclosures – The goal is to identify potential risks and uncertainties in the state and local government environment and consider developing disclosure requirements associated with those risks. The Board will consider feedback on the exposure draft shortly.
- Revenue and expense recognition – The goal is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. GASB re-deliberated and agreed on an anchored recognition methodology.
- Financial reporting model – The goal is to enhance the effectiveness of the model in providing information that is essential for decision-making and to enhance users' ability to assess a government's accounting. GASB will also address certain application issues. GASB continued re-deliberations on two issues related to the presentation of the proprietary fund statement of revenues, expenses, changes in fund net position, including guidance for contributions to permanent and term endowments and the application of the definition of subsidy to various transactions.
- Going concern uncertainties and severe financial stress – GASB is working towards a proposal to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The Board tentatively agreed that (1) there should be a clear distinction between going concern uncertainties and severe financial stress; (2) going concern uncertainties focus on uncertainty about a government's existence, regardless of its financial condition; and (3) severe financial

stress guidance should focus on a government's financial stress, regardless of whether there is uncertainty about its continued existence.

- Classification of non-financial assets – The goal is to reconsider the existing classification of non-financial assets and other related sub-classifications. GASB tentatively decided that tangible capital assets held for sale, intangible capital assets, intangible lease assets, and right-to-use assets recognized for subscription-based information technology arrangements (SBITAs) should be reported by major class separate from major classes of capital assets.
- Leases and SBITAs – GASB discussed potential diversity in practice related to whether to apply leases guidance or SBITA guidance to certain cloud-computing arrangements. Members tentatively decided to clarify the authoritative guidance and discuss various interpretations of the application of the existing guidance.
- Implementation guidance – The goal is to annually update implementation guidance for additional issues that come to GASB staff's attention.

Mr. Scott thanked Ms. Reese for keeping the Board informed of GASB's activities.

Mr. Scott noted the extensive outreach efforts in the past two months from both Board members and FASAB staff.

Agenda Topics

- **Management's Discussion and Analysis**

Ms. Gilliam, assistant director, introduced [topic C](#), management's discussion and analysis (MD&A). The goal of the session was to address any remaining technical issues. She explained that staff would update the proposed standards and related basis for conclusions based on feedback from members.

Question 1 – Do members agree that the proposed standard for Balanced meets the Board's intent and that the basis for conclusions adequately explains that intent?

Members agreed that the proposed guidance for "balanced" should not require a combination of financial position, financial condition, and operating performance. The intent for "balanced" is to discuss and analyze when there has been a significant positive or negative effect on financial position, financial condition, or operating performance. In addition, a specific reference to the reporting period or forward-looking information is not necessary. Members also agreed to move the example to the basis for conclusions.

Question 2 – Do members agree that the proposed standard for Integrated meets the Board’s intent and that the basis for conclusions adequately explains that intent?

One member said the proposed guidance for “integrated” is the key difference from paragraph 2 of Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management’s Discussions and Analysis*, which requires sections. As a result, this member requested that information about using headers be included in the standards or basis for conclusions to emphasize how to organize integrated information.

Question 3 – Do members agree that the proposed standard for Concise meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members agreed that “concise” includes vital few matters, summarizing information, and lack of duplication.

One member was concerned that the example for “vital few matters” from paragraph 6 of SFFAS 15 appeared to be a list of filters that might conflict with proposed requirements in *Information Discussed and Analyzed in MD&A*. This member thought the example was unclear in both the proposed guidance and in SFFAS 15. Another member thought the SFFAS 15 example might help to explain what the Board means by “vital few matters.” One member suggested providing a description of “vital few matters” in the basis for conclusions. Other members agreed.

A number of members did not want a discussion about “auditor matters” in the basis for conclusions since that is outside of FASAB’s scope. The basis for conclusions should instead provide guidance for management to include an explanation when references point to unaudited information.

Question 4 – Do members agree that the proposed standard for Understandable meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members agreed to remove the reference to “citizens” despite the extensive discussion and decision to include it at the August 2022 meeting. The proposed standards should not reference any specific user. MD&A should be understandable to any user, especially someone who is not well versed in the U.S. government or its accounting. Management should present content in plain language, use headers to identify specific content, and as appropriate, include charts, tables, and/or graphs to enhance the understanding of the MD&A.

Question 5 – Do members agree that the proposed standard for Organization and Mission meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members agreed to reference only the reporting entity and not its components in this proposed guidance. However, MD&A should provide a summary about the reporting entity and its components to help users understand what it expects to achieve during the reporting period. Staff will include a discussion about components of a reporting entity in the basis for conclusions.

Some members agreed that information about mission and organization provides the context for financial information and that staff should discuss this in the basis for conclusions.

Question 6 – Do members agree that the proposed standard for Financial Position and Condition meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members questioned whether the purpose of the MD&A was clearly communicated in this standard. Ms. Gilliam explained the purpose of MD&A is in a separate paragraph. Staff did not include the purpose paragraph in this memo and will include it with the next review.

Members decided to change “any required supplemental information” to “other required supplemental information” to report required supplementary information not already specified in the proposed standards.

Members discussed how to include stewardship investments in MD&A. Members agreed that the Board should address its decision from SFFAS 57, *Omnibus Amendments 2019*, to report stewardship investments in MD&A as well as to consider future implementation guidance for it. One member wanted to know which agencies were currently reporting stewardship investments in MD&A; another member wanted to know if agencies that should be reporting stewardship investment information were doing so.

Most members agreed that “significant stewardship investments” should be included in the proposed standard. The basis for conclusions should provide enough information for agencies to determine if they should report significant stewardship investments. For example, is it significant to the operations of the reporting entity and could it have an impact on performance in other areas? If so, that would need to be explained. Members requested that staff review the original standards for criteria for reporting stewardship investments that may be useful in the basis for conclusions. Staff will add a respondent question to help determine if respondents need additional guidance.

Question 7 – Do members agree that the proposed standard for Performance meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members agreed that MD&A should discuss and analyze the key performance results in relation to costs and any significant effects on budgetary and/or financing resources. This supports the decision made at the August 2022 meeting. One member wanted to

broaden the scope to encompass all financial effects and not just costs. Another member explained that requiring all financial effects could be too difficult for preparers to provide. The remainder of members agreed not to broaden the scope.

The basis for conclusions should address how the agency identified and achieved its key performance measures and targets. The basis for conclusions should continue to encourage the reduction of statistical reporting as required by the Government Performance and Results Modernization Act. However, staff should update the content to provide a more clear explanation about the difference in reporting periods.

Question 8 – Do members agree that the proposed standard for Opportunities meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members agreed that the proposed standard for opportunities, as discussed and agreed upon at previous meetings, met the Board’s intent. Staff will make minor edits to the basis for conclusions about the description reference.

Question 9 – Do members agree that the proposed standard for Risks meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members agreed that the proposed standard for risks, as discussed and agreed upon at previous meetings, met the Board’s intent. Staff will make minor edits to the basis for conclusions about the description reference.

Question 10 – Do members agree that the proposed standard for Systems, Internal Controls, and Compliance meets the Board’s intent and that the basis for conclusions adequately explains that intent?

Members agreed that MD&A summarized information about systems, internal controls, and compliance. Therefore, members agreed that this proposed standard met the Board’s intent.

Next steps: Staff will present the updated proposed standards and basis for conclusions at the next meeting.

The meeting adjourned for lunch.

- **Software Technology: Cloud-Service Arrangements**

Mr. Williams, senior analyst, introduced [topic B](#) by summarizing previous Board meeting deliberations on the software technology project. He reminded members that during the August 2022 meeting, the Board considered characteristics, models, and typical payment structures of cloud-service arrangements used throughout the federal government. The Board also deliberated whether cloud-service arrangements could meet the essential characteristics of an asset from Statement of Federal Financial Accounting Concepts (SFFAC) 5, *Definitions of Elements and Basic Recognition*

Criteria for Accrual-Basis Financial Statements. Those deliberations focused on three categories of cloud-service arrangements:

- Pay-as-you-go – would not meet the SFFAC 5 essential characteristics of assets
- Cloud credits – could meet both essential characteristics of assets and present as pre-paid expense assets
- Multi-year commitments – could meet both essential characteristics of assets and present similarly to right-to-use lease assets

Mr. Williams noted that several members wanted to better understand the payment and deliverable criteria of multi-year commitments so that the Board could discuss whether those types of arrangements represent service contracts or right-to-use assets.

Mr. Williams then explained that the purpose of the session was to continue deliberations on the cloud-service arrangement asset framework by focusing on whether certain cloud-service arrangements represent service contracts or right-to-use assets in the federal environment based on a literature review of issued guidance from FASAB and other standard-setting bodies.

Question 1 – Based on staff’s analysis, do members have any thoughts on whether cloud-service arrangements are right-to-use assets or service contracts?

Mr. Williams explained that he reviewed guidance and associated deliberation documents from FASAB, GASB, the Financial Accounting Standards Board (FASB), and the International Accounting Standards Board (IASB) to understand how multiple standard-setting bodies have deliberated the differences between service contracts and right-to-use assets. Additionally, he analyzed how those positions have influenced the standard-setting bodies’ cloud-service reporting guidance.

Mr. Williams stated that GASB typically considers cloud-service arrangements to be right-to-use assets whereas both FASB and IASB typically consider cloud-service arrangements to be service contracts. He also explained that FASAB had issued guidance on right-to-use tangible assets that the Board could use for insight for intangible cloud-service arrangements. He caveated, however, that intangible cloud-service arrangements are inherently different from tangible property and it is difficult to strictly apply the right-to-use guidance without further deliberation.

Mr. Williams stated that staff does not consider the IASB guidance relevant to FASAB’s deliberations because FASAB does not appear to hold the same strict views of what constitutes “control” in a right-to-use asset that IASB does. For example, IASB guidance suggests that for a contract to convey the right to control the use of an identified asset, the customer must have the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. However, FASAB

guidance indicates that an entity does not have to exercise control over the entire underlying asset for a right-to-use asset to exist.

Additionally, IASB guidance states that a customer does not have the right to use an asset if the supplier has the right to substitute the asset. However, FASAB guidance also disagrees with that point by making it clear that the right-to-use an underlying asset is distinct from the asset itself and that the ability of the lessor to substitute the underlying asset with another identical asset would still allow the lessee to maintain control of the economic benefits or services of the underlying asset.

Mr. Williams then explained that the most important issue for the Board to consider is the different opinions between FASB and GASB on whether cloud-service arrangements are right-to-use assets or service contracts. He stated that FASB and GASB share similar views on the differences between right-to-use assets and service contracts, just not which one applies to cloud-service arrangements. He explained that both standard setters seem to agree that, with a right-to-use lease asset, the lessor fully performs upfront by providing a lessee access to an asset at the beginning of the term. The lessee continues to benefit throughout the lease term from the lessor's previous performance of making the underlying asset available for use at the beginning of the term.

Alternatively, with service contracts the customer obtains economic benefits from the service only as the provider performs the service. The provider's prior performance does not continue to benefit the customer throughout the remaining term of the arrangement.

Mr. Williams stated that he held roundtable discussions with several IT professionals from different federal agencies to better understand the typical payment and service terms of multi-year commitment cloud-service arrangements so that the Board could deliberate whether those arrangements are right-to-use assets or service contracts. He explained that several federal entities procure "reserved instance" cloud arrangements that involve committing to a minimum purchase amount of cloud capabilities on either an annual or a multi-year basis in exchange for a price discount. When the federal entity does not pay for the reserved instance upfront, the amount owed is typically paid in fixed monthly increments for the term of the arrangement. However, he noted that the provider still delivers the cloud capabilities on-demand in a pay-as-you-go manner by measuring actual usage, like a utility.

If the federal entity exceeds its reserved instance amount or uses cloud capabilities outside of the reserved instance agreement, the provider charges a variable amount on top of the fixed amount. However, the cloud provider has committed to provide the federal entity a minimum level of cloud access for a period in exchange for a minimum fixed payment from the customer.

Mr. Williams noted that some federal entities pay for a set number of user access rights for software as a service cloud models on an annual or multi-annual subscription basis.

Additionally, staff observed a federal entity that executes a multi-year cloud-service contract that includes fixed payments for separate deliverables, including cloud access.

Mr. Williams emphasized that it appeared that there is no standard way of procuring cloud services among federal entities and that different entities prefer different ways of purchasing cloud services. He stated that the federal cloud environment was very dynamic and evolving quickly.

Mr. Williams then explained that staff believes multi-year commitment cloud-service arrangements are more like right-to-use assets than service contracts because the primary purpose of the arrangements is for the federal entity to gain the right-to-use a provider's IT resource. The accompanying service components, such as maintenance, updates, and security, are to enhance the customer's access to the IT resource's capabilities. With reserved instances and subscription-like models, the cloud provider is making a certain level of cloud capability available for the customer to access and use as needed for a certain period. He further explained that the provider has fully performed by making a certain level of cloud access available for the federal entity to use upfront.

Mr. Williams noted that several IT professionals agreed with the notion that while cloud-service arrangements include varying service components, the primary purpose of the arrangements is to access the capabilities of the cloud providers' IT resource. However, he noted that one IT professional was strongly of the opinion that cloud providers provide a service. The reasoning was that from the customer's perspective, the federal entity acquires cloud services from a catalogue of generic options for different IT needs. The federal entity has no control over the underlying IT resource it is temporarily using and does not know or care what IT resource is providing the services.

Mr. Williams stated, however, that the right-to-use asset guidance framework already established by the Board does not consider whether the customer controls the underlying asset. As long as the customer controls the benefits and services of an underlying asset, a right-to-use asset exists. Therefore, Mr. Williams concluded that multi-year commitment cloud-service arrangements resemble right-to-use assets based on a review of other standard-setter positions coupled with the Board's prior positions on right-to-use assets.

Board members had different opinions with whether multi-year cloud-service arrangements were right-to-use assets or service contracts. One member asked if a federal entity's right-to-use had to be exclusive from other entities to consider it an asset. Mr. Williams stated that according to FASAB's previously issued right-to-use guidance for intangible assets, the federal entity would not have to obtain complete and exclusive control of the underlying resource, so long as it has control over some specific economic benefit or service.

One member asked if staff or other members had further insight into why GASB determined that cloud-service arrangements are right-to-use assets. Another member replied that GASB focused on subscription-based cloud services and applied its leases

standards because of significant parallels between a tangible right-to-use asset and an intangible IT right-to-use asset. Mr. Williams added that deliberation documents indicated that GASB stakeholders considered the benefits and services of an IT resource the same, regardless of whether they acquired access to the resource through the cloud or owned the resource.

One member was most comfortable referring to cloud-service arrangements as service contracts because it was difficult to conceive how an entity could exclude others from using an intangible right-to-use asset. Another member agreed that there is an asset involved with cloud services but was unsure of where the right-to-use resides. Another member pointed out that many cloud-service arrangements likely include both a tangible hardware component and an intangible software component.

Another member favored calling cloud-service arrangements service contracts because a cloud provider would have to work the entire period to provide a service, and the federal entity as customer would expect specific terms of service. Additionally, the member was concerned that cloud services, and other types of service contracts, such as cellular and internet service providers, possessed varying degrees of both right-to-use asset and service components. The member questioned how to determine if the provider is providing access to an asset or using its own asset to provide a service. The member stated that deciding cloud-service arrangements were right-to-use assets could open the door to considering whether other types of service contracts possess right-to-use assets.

Another member theorized that a pure service contract would involve only labor services while a right-to-use asset involves using an asset owned by someone else rather than purchasing or developing the asset internally. The member agreed that cloud services could fall somewhere in between the spectrum of right-to-use asset and service contract. Another member pointed out that it was clear that cloud-service arrangements often provide IT resources to a federal entity that the entity would have likely owned and reported as an asset in the past.

Mr. Williams agreed that cloud-service arrangements included a spectrum of both right-to-use assets and service components. Calling cloud-service arrangements right-to-use assets could lead to further questions of whether other types of federal contracts are right-to-use assets or service contracts. However, Mr. Williams maintained that after speaking with multiple federal IT managers, staff was confident that the primary purpose of cloud-service arrangements was to provide access to an underlying IT resource. Additionally, Mr. Williams pointed out that FASAB's issued guidance defines a service contract as a contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to provide a tangible asset. He stated that staff does not think that definition applies to cloud-service arrangements because the primary purpose is to provide access to a resource, not for a contractor to perform a specific task.

Several members agreed it was reasonable to conceptualize cloud-service arrangements as right-to-use assets. However, the members were concerned that the

associated preparer burden and lack of reporting benefits may not justify the need for asset recognition on the balance sheet. One member was concerned that asset recognition for cloud-service arrangements would prove as challenging for preparers as the new leases guidance, but with less reporting benefits.

A few members stated that the complex and fast changing environment of cloud computing in the federal government made it particularly challenging to assess proper reporting requirements. One member stated that reporting guidance should be flexible to anticipate unforeseen evolvments with how federal agencies procure and use cloud services in the future.

One member emphasized that no matter what reporting requirements the Board ultimately decides, it is important to provide guidance so that there is consistent reporting among federal entities. The member indicated that, without clear guidance, there is risk that federal entities could account for the same resource in multiple ways due to the different types of arrangements. Other members cautioned that creating different accounting and reporting requirements for the same resource could mislead users and unintentionally influence how federal entities acquire cloud services. Mr. Williams agreed that requiring asset recognition for only multi-year cloud-service arrangements while pay-as-you-go cloud services go unreported could mislead users with how and to what extent federal entities utilize cloud-services.

Several members suggested that initial guidance should require only notes disclosures for all types of cloud-service arrangements, such as annual costs for the current and previous year. One member stated that disclosures could adequately provide users information about the extent that federal entities use cloud services for mission and operational needs versus purchasing or developing the IT resource internally. Another member agreed that robust disclosure would be critical in the short-term. Mr. Williams agreed that disclosure requirements for all cloud-service arrangements could offer flexible guidance for unforeseen evolvments in the federal cloud environment.

A few members contemplated the need for federal entities to disclose minimum purchase commitments of cloud-service arrangements, regardless of whether the costs are capitalized or just expensed as incurred. Some members questioned how significant the minimum purchase commitments are in the federal environment and suggested that the values would likely not be material enough to affect the balance sheet presentation.

One member stated that disclosing minimum purchase commitments could provide valuable measurement insights before the Board determines whether cloud-service arrangements should be recognized as capital assets. One member pointed out that presentation guidance from other sources requires general commitment disclosures, but FASAB does not currently have authoritative guidance on commitments and suggested that may be worth exploring in the future.

Mr. Williams cautioned that minimum purchase commitment amounts of cloud-service arrangements are what would likely represent the right-to-use asset values and that the

preparer burden would likely be the same whether federal entities recognize the commitments on the balance sheet or report them as a notes disclosure.

Mr. Williams concluded by discussing what staff planned as next steps in the project:

- Identify the benefits of reporting cloud-service arrangements in ways other than recognizing an asset in the financial statements
- Seek out the views from a wider range of federal financial report users that may have an interest in cloud-service arrangement financial reporting
- Continue to research the significance of the different types of cloud-service arrangements in the federal environment

Mr. Williams stated that after the forthcoming discussion on reporting benefits, he planned to recommend for the Board's approval a scope and multiple reporting options for cloud-service arrangement guidance.

Adjournment

The Board meeting adjourned for the day at 2:45 p.m.

Wednesday, October 26, 2022

Agenda Topics

- **Public-Private Partnerships**

Mr. Domenic Savini, assistant director, provided the Board with an overview of the [topic C](#) materials for the public-private partnerships (P3s) session. For context, staff provided an initial review of the project's recent history specifically noting that the Board's intention for SFFAS 49, *Public-Private Partnerships: Measurement and Recognition*, is that it be treated as supplemental guidance to other (primary) guidance addressing long-term arrangements.

Mr. Savini then reviewed page 5 (PDF page 38) of Appendix 3 within [topic C](#), which summarized staff's review of the fiscal year 2020 annual financial reports of all 24 Chief Financial Officers (CFO) Act agencies and the 16 significant entities. Staff noted (1) the variation of reporting or use of the term "public-private-partnership(s)," as well as the type of P3 arrangements identified by agencies, and (2) guidance in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, that was misinterpreted by at least one federal entity to exclude direct loans, loan guarantees, and insurance programs from SFFAS 49 reporting. After working with OMB and GAO, the language in A-136 was eventually clarified to ensure any exclusions aligned with SFFAS 49.

One member noted that the term “public-private-partnership(s)” used by agencies is not always in fact the term as defined in SFFAS 49. Staff concurred. Another member noted that the lessons learned reveal that direct loans, loan guarantees and insurance programs, while not P3s in and of themselves, can in fact be used in a P3 arrangement or transaction. Staff also concurred, noting that loans and guarantees are used in some of the Department of Defense’s military housing privatization programs.

Before proceeding to the questions for the Board, staff provided an overview of each implementation challenge identified via training and outreach. The implementation challenges can be found on pages 13-15 (also PDF pages 13-15) of [topic C](#).

Question 1 – Do members generally agree with the formation of an implementation working group? If not, please explain your rationale. Are there any implementation challenges that members believe should be added or deleted to/from the identified total (15)?

Regarding the formation of an implementation working group

The Board agreed with the staff recommendation. Members noted that staff should consider the following as it implements a working group:

- Coordinating with the CFO Council
- Validating and prioritizing the implementation challenges
- Communicating technical guidance in a question and answer format
- Identifying other potential challenges as well as solutions
- Establishing firm task force goals and timeframes
- Being mindful of the task force composition
- Assessing how auditors are applying materiality

One member expressed support for P3 training and the sharing of best practices instead of establishing a task force. However, this member also expressed support for having the task force review the usefulness of the existing disclosures and developing factors for making materiality determinations for each of the disclosures, as suggested by another member.

Regarding the implementation challenges that members believe should be added or deleted to/from the identified total (15)

Members provided an array of advice and consultation in this regard that is captured and underscored by one member’s question, “*What are the Board’s goals and are we achieving them?*” For example, if the goal is to report risk or off-balance sheet activity, is

this being done? The example of energy savings or utility contracts reported by some agencies was raised. In the end, what do these disclosures mean to the users?

Specific comments to the implementation challenges are summarized below:

- Although some challenges (soft topics) fall outside the Board's remit, they can be addressed indirectly as opposed to pursuing them directly through authoritative guidance.
- The Board should not undertake certain challenges (such as #10 – resources and expertise and #15 – Congressional appropriations). However, they can be re-conceptualized akin to item 1 above.
- Validate the challenges and look to reduce preparer burden. Also, explore how a private partner's risk can become an agency or government risk.
- What risk affects the financial statements? For example, impairment of assets or cash flows.
- Ensure auditor participation, especially regarding completeness (see #11 – data retrieval from numerous and disparate datasets and #12 – access to private partner data).
- Consider usefulness to the users while examining the project's effectiveness by ensuring user participation on the task force. Consider clarifying paragraph 24d(i) and 24d(ii). Pursue the intersection of SFFAS 49 with SFFAS 47, *Reporting Entity*, and SFFAS 54, *Leases*.
- Avoid delving into management issues.
- Consider whether measurement and recognition guidance would be useful in addressing any of the preparer challenges.

Question 2 – Using the 15 implementation challenges identified by staff as an example, do members have any insight, advice, or preferences regarding how to best communicate implementation guidance? For example, are there any challenges that members would suggest (1) require an amendment to or interpretation of SFFAS 49; (2) warrant more immediate and timely guidance (Technical Bulletin); or (3) are better addressed via illustrative examples (Technical Release)?

Given that some members addressed a portion of this question above, notably identifying those implementation challenges that staff should either reduce focus on or not cover at all, the Board generally agreed with the following:

- Validate and prioritize challenges with the task force and coordinate with the CFO Council as appropriate.

- Seek task force consultation on what types of implementation guidance they would recommend issuing and report findings back to the Board.

Question 3 – Are there any other issues or concerns that members would like for staff to consider? Please note in your response what changes you would recommend be made to the proposed next steps.

The majority of members generally agreed with staff's proposed next steps.

One member noted the importance of P3s in light of recent legislative and administration efforts in dealing with major infrastructure initiatives. The member noted the importance of keeping this in mind and maintaining a forward-looking posture relative to P3 accounting and reporting.

Next steps: Staff will (1) continue training and outreach as appropriate and (2) form a P3 implementation guidance task force to study the training and outreach results in accordance with the aforementioned Board direction (for example, validation and prioritization, etc.).

- **Annual Report Review**

Ms. Valentine introduced the updated draft FY 2022 annual report from topic D to the Board. She noted that FASAB releases an annual report and three-year plan each fiscal year to enhance visibility of its operations and to obtain input regarding the Board's plans. The report includes a letter from the chair and a letter from the executive director. It also includes FASAB's collaboration, outreach, and educational activities throughout the fiscal year, as well as a section on governance, operations, and budgetary resources. The objective for the session was for the Board to review an updated draft of the FY 2022 annual report and three-year plan.

Ms. Valentine highlighted the primary changes in the updated draft:

- Edits to the letter from the chair and letter from the executive director
- Updated information in the budgetary resources and project status sections
- The inclusion of figure 1 noting FASAB classes offered during the fiscal year and the number of classes offered
- The inclusion of some of the feedback received from participants attending FASAB classes

Mr. Scott opened the discussion for member feedback. The Board agreed to the following revisions:

- Change figure 1 to include the number of participants attending the classes listed instead of the number of classes
- Add a brief introduction to figure 1
- Scale down the number of feedback comments included in the report and consider adding some more neutral comments to ensure balance

Ms. Valentine reminded the members that the report would be issued November 15th and the Board would have an opportunity to see another final draft before then.

Ms. Valentine asked the members for final edits/comments by November 2, 2022, giving staff an opportunity to provide members the final version before the report is issued on November 15, 2022.

The meeting adjourned for lunch.

- **Steering Committee Meeting**

The Committee reviewed updated budget estimates for fiscal year 2024. The fiscal year 2024 budget discussion will continue at the next meeting.

Adjournment

The Board meeting adjourned for the day at 5:00 p.m.